

# Supplement to INFORMATION LETTER NATIONAL CANNERS ASSOCIATION

No. 1051

Washington, D. C.

August 27, 1945

## Changes Made by the 1945 Pricing Regulation

Canners' maximum prices for sales of the 1945 pack of canned and glass-packed vegetables (with the exception of canned snap beans), and for most fruits and berries, are established by the Office of Price Administration at approximately the same general level as last year through the issuance of Supplement No. 13 to FPR No. 1, the effective date yet to be announced. The supplement continues, with a number of minor modifications, the basic pricing methods of Pricing Method No. 1 and Pricing Method No. 2, established under Supplement 7 for the 1944 pack.

The general level of maximum prices for civilian sales of the 1945 pack of fruits, berries, and vegetables is approximately the same as last year since subsidies are continued on the four major vegetables, and allowable raw material costs on other products have not changed appreciably from 1944. However, in some areas, increases in basic wage rates incurred by processors with the approval of the War Labor Board will increase ceilings slightly as they are permitted to include these wage increases in their prices.

Chief additional changes in the pricing of the four major vegetables are the increased government prices of 6 cents per dozen for No. 2 cans for canned tomatoes, with corresponding increases for other container sizes (the subsidy will absorb canners' increased returns for civilian sales), and the transfer of the pricing of tomato juice from Pricing Method No. 2 to Pricing Method No. 1. Besides tomato juice, the new supplement contains pricing appendices for all of the vegetables that were priced under Pricing Method No. 1 last year, with the exception of snap beans which will be issued later. Vegetables included under Pricing Method No. 1 are spinach, asparagus, peas, corn, tomatoes, and tomato juice. The pricing appendices for the fruits that were covered by Pricing Method No. 1 last year will be issued shortly.

The supplement also contains the pricing provisions for Pricing Method No. 2. All of the vegetables (other than tomato juice) and most of the fruits and berries that were priced under this pricing method last year are

covered by the new supplement. The principal products that are not yet included are apple products, some other fruits and a few of the berries. These will be added to the supplement as soon as raw material prices are determined.

The OPA states that the new supplement continues the 1944 policy of pricing on a supply basis by establishing maximum prices designed to return to the canning industry the per-unit dollar profits received by that industry in 1940-41. This is accomplished by increasing 1944 ceiling prices by an amount equal to the approved raw material and labor increases not included in the 1944 ceiling prices. Approved increases in raw material prices affecting the national price level for the four

major vegetables will be handled by increased subsidy for civilian sales and by increasing the maximum prices for these products when sold to government procurement agencies. The approved increases in wage rates will be translated into unit cost increases and added to the 1944 ceilings for both civilian and government sales. Wherever feasible, 1945 maximum prices for both "range priced" and "formula priced" products are to be based on the actual prices paid for the raw material (not to exceed the designated prices).

The new regulation, in the appendix for each product, also specifies for each product what item is to be selected as the base period item in pricing under paragraphs 2, 3 or 4 of Section 5(a).

### Basic Pricing Methods are Continued

The basic pricing methods and provisions of Supplement 7 are continued. Discussion of the changes that have been made from last year's regulation in the pricing methods and in the pricing appendices follows:

**Pricing Method No. 1.** The two principal changes in Pricing Method No. 1 are the addition of a provision requiring processors to reduce their maximum prices where they have purchased raw material below the price reflected in ceilings, and a provision permitting processors to adjust their maximum prices for approved increases in basic wage rates.

For most "band-priced" products, canners are required to reduce maximum prices where raw material is purchased at prices lower than those reflected in ceilings. OPA added this provision because it was felt that it would be inflationary to permit processors to reflect in their ceiling prices raw material costs in excess of those actually incurred. In the case of the four major vegetables, it was determined that this adjustment is not necessary, since processors must pay the support price in order to qualify for subsidy payments and other benefits of the support program. For asparagus it was not deemed feasible by OPA to require that this adjustment be made. In the case of

certain fruits under Pricing Method No. 1 which will be added later to the supplement, processors are required to figure their 1945 raw material costs on a graded basis.

The provision for adjustment of processor's maximum prices for approved increases in labor costs limits increases in ceilings to basic wage rate increases. By "basic wage rate" OPA means the single rate or established range of rates applicable to a given job classification for straight time, day operation.

The supplement sets forth the conditions under which the processor may make the adjustment, namely, that the increase in basic wage rates must have been approved by the War Labor Board, must have been made effective after January 1, 1944, and prior to the completion of 50 per cent of this year's pack of the product. The adjustment also is applicable to increases in basic wage rates which are incurred under the authority given in General Order 30 issued by the National War Labor Board. (See N.C.A. INFORMATION LETTER No. 1012.)

The supplement further provides that an increase in basic wage rate schedules will be considered to have occurred only if the single rate or the mid-point of the range of rates for unskilled female labor has been increased.

The probable increases in basic wage rates for the entire 1945 pack season are figured on an area average basis and made applicable to processors actually incurring increases. These areas and the average increases in wage rates are as follows:

Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Delaware, Maryland, West Virginia, Ohio, Indiana, Illinois, Michigan, Wisconsin, Minnesota, North Dakota, South Dakota, Iowa, Kansas, Nebraska—for processors with any increase in basic wage rate schedules, 10 per cent.

Virginia, North Carolina, South Carolina, Georgia, Florida, Tennessee, Kentucky, Mississippi, Louisiana, Alabama, Missouri, Oklahoma, Texas, Arkansas—for processors with increases in basic wage rate schedules up to and including 5 cents an hour, 10 per cent; for processors with increases in basic wage rate schedules of more than five cents an hour, 20 per cent.

Wyoming, Colorado, Idaho, Utah, Nevada, Montana, Arizona, New Mexico—for processors with any increase in basic wage rate schedules, 7½ per cent.

Washington and Oregon—for processors with any increase in basic wage rate schedules, 5 per cent.

California—no adjustment.

Pricing Method No. 1 has been revised in an attempt to set forth more clearly the order in which steps are to be taken in figuring maximum prices. One of the clarifying provisions defines what sales are to be included in figuring the base price. OPA said the new definition will avoid the confusion which existed under Supplement 7 and previous regulations as to what was meant by "sales in the regular course of business."

**Pricing Method No. 2.** Basically, Pricing Method No. 2 requires the processor to figure his maximum prices by taking his 1944 maximum price as established under Section 6 of Supplement 7 (or by figuring such a price if he packed the item in 1944 but did not figure a price for it under Supplement 7); subtracting his 1944 raw material cost and adding his 1945 raw material cost without exceeding the designated price; and finally adjusting the resulting figure, where appropriate for approved increases in basic wage rates. The adjustment for approved increases in basic wage rates is similar to that used under Pricing Method No. 1, except that in this case the adjustment is calculated by using a percentage rather than a dollar-and-cent figure.

The supplement continues the provisions for pricing items in certain container types and sizes which was a part of Pricing Method No. 2 under

Supplement 7 and in addition adds differentials for pricing specified products in certain container sizes. These differentials were constructed from base period price relationships which existed in the canning industry.

Provision is made for figuring maximum prices for fruits and berries covered by Pricing Method No. 2 that are packed in syrup the density of which does not correspond to the grade of the fruit or berry. This provision is necessary primarily because of the restrictions placed on processors' use of sugar by Second Revised Ration Order 3. For specified products for which sufficient data are available, conversion factors are named which the processor uses as follows: The processor subtracts from his maximum price the factor named for the grade of the fruit and then adds the factor named for the grade of syrup used in packing the item. As to fruits for which sufficient data are not available to name conversion factors, the processor subtracts from his maximum price the difference between his actual cost of sugar used in making syrup of a density corresponding to the grade of fruit and his actual cost of sugar used in making the syrup in which he is packing the item.

Pricing Method No. 2 continues in effect maximum prices determined under Section 10(c) and (d) of Supplement 7, including maximum prices automatically authorized or approved upon the expiration of the 30-day period provided in those sections. These 1944 ceilings are then adjusted, where appropriate, for approved increases in basic wage rates. However, items for which prices were obtained under those sections of Supplement 7 are not covered

by this pricing method if they can now be priced under Section 5 (tomato juice), or by use of new differentials which are provided or by dollars-and-cents prices named in a new provision described below. While continuing in effect many prices individually authorized or approved under Supplement 7, the OPA intends to review carefully all such prices, particularly those automatically established, and as soon as possible to revise any that are "out of line" or that need revision due to differences in allowable raw material costs for the 1945 pack.

The supplement contains dollars-and-cents prices for specified products in certain container types and sizes which will apply to sales by processors who cannot otherwise determine their maximum prices under the supplement. These dollars-and-cents prices are generally in line with prices figured by formula and are the prices which would otherwise be authorized by the OPA under the individual authorization section. Any of the prices may be adjusted for an approved increase in basic wage rates if the processor meets the conditions specified in the supplement.

The supplement adds No. 10 cans of diced carrots to the commodities exempted for sales to government procurement agencies as provided by Amendments 23 and 24 to Supplement 7.

The supplement adopts those provisions of Food Products Regulation No. 1 which were made applicable to Supplement 7 last year, with the exception of Section 2.4 (Elective Pricing Method for Processors) which has not been made applicable to the supplement.

## Changes in the Pricing Appendices

### PEAS

The principal changes in the pricing appendix for canned peas made by the new supplement are of a clarifying nature. With a few minor exceptions, the price ranges, dollars-and-cents prices, conversion and other tables are identical with those set forth in Supplement 7.

Clarification also is made of the provision relating to the manner of figuring conversions from one variety to another variety of peas and from a particular sieve size to a blend of more than two sieve sizes of the same variety. In each case where it is necessary to figure a conversion for variety because the processor is pricing a different variety of peas than sold in the base period and in each case where the conversion is from or to a blend

of more than two sieve sizes of peas of the same variety the processor is directed to figure the conversion by taking the difference between a specific dollars-and-cents price named in Table 4 for the two items and either adding it to or subtracting it from the constructed base price, as the situation requires.

The appendix directs the processor to figure a single base price for items which differ only in sieve size in those cases where but one price range is provided for such items. The purpose of this change is to remove any ambiguity that may have existed under Supplement 7, as some processors had figured but one weighted average price for items covered by the same price range, while other processors had figured separate base period prices for each sieve size. This change in the

supplement was made on recommendations from the industry.

The appendix re-defines the term "ungraded" as used in the pricing of canned peas. The purpose of the change is to bring the definition into line with recognized industry practice and to remove the ambiguity which existed in 1944, particularly with reference to the proper pricing of large seeded sweet peas.

The appendix adds a differential for Blair process peas packed in No. 2 cans. In 1944 a differential was provided for No. 303 cans only. There appears to be some question of whether there will be sufficient No. 303 cans made available for the packing of this kind of peas and a differential is accordingly provided for the No. 2 cans.

In Table 1, additional counties in Washington are added to Area 6 which formerly consisted of Skagit and Snohomish Counties only. This change is made in conformity with changes made in the Department of Agriculture's support price for peas in this area.

In Table 2 provision is made for figuring base period prices on a variety basis, with separate base periods being provided for Alaska peas and for all sweet peas. The reason for the change is that the harvesting season for Alaska peas is approximately three weeks earlier than that for sweet peas and the period of pack figured on this basis is in line with industry practice as to what is considered "the beginning of the pack."

The only changes made in the price ranges and dollars-and-cents prices is in the pricing of blends of more than two sieve sizes of sweet peas in Area 4 where the upper and lower limits of the price ranges are increased 3 cents per dozen for the No. 2 cans and 15 cents per dozen for No. 10 cans, with similar changes being made in the dollars-and-cents prices in Table 4. This is to correct an error in the 1944 prices. In pricing blends of sweet peas in areas other than Area 4, price ranges were established that were not less than 3 cents per dozen (basis No. 2's) higher than ungraded sweet peas in the same area.

The appendix also clarifies the pricing provisions relating to the pricing of blends of sieve sizes of peas.

#### CORN

The principal changes made in the pricing appendix for packed corn are the establishment of new price ranges and dollars-and-cents prices for Area 1 (comprising the New England States),

an increase of 5 cents per dozen in the differential between Standard and Extra Standard evergreen and narrow grain corn in all areas, and the establishment of the period for base period sales on a variety basis. Other changes of a clarifying nature are also made in the appendix.

In establishing maximum prices under Supplement 7, the price ranges for the various products priced under Pricing Method No. 1 were constructed from base period prices to which were added permitted increases.

Correcting a previous error in base-period-reporting from Area 1, the new base period prices for golden and white cream style corn are established at 9 cents per dozen No. 2 cans for Fancy, 7 cents for Extra Standard, and 6 cents for Standard higher than the original base prices.

The calculation of permitted increases for golden and white cream style corn in Area 1 were reviewed and as they are properly figured the same permitted increases as were provided in Supplement 7 were added to the revised base period prices to construct the new mid-points from which the price ranges were refigured on the basis of the new data. The base period prices were also recalculated for whole kernel corn. The permitted increases for whole kernel corn in Area 1 were also reviewed, as it was the opinion of the industry that they were out of line with the permitted increases provided for this style of pack in other areas. The correct permitted increases for whole kernel corn in this area was determined to be 33 cents, after profit adjustment, and this figure is used in establishing new price ranges for this style of pack.

For evergreen and narrow grain cream style corn, OPA establishes differentials of 10 cents for Fancy grade, 10 cents for Extra Standard and 5 cents for Standard. This results in a 5 cent increase in the price for Extra Standard grade in all areas.

The 1945 regulation establishes the period for base period sales of corn on a variety basis, with separate periods named for all golden corn, and all white corn. This change from the base period provided in Supplement 7 is made because the packing season for golden corn is different from the packing season for white corn and the industry recommended that separate base periods should accordingly be established.

#### TOMATOES

The principal change in the pricing appendix for canned tomatoes made by the accompanying supplement is the in-

creasing of the gross maximum prices 6 cents per dozen for No. 2 cans of all grades. Corresponding increases for No. 2½ and No. 10 cans were figured by use of the can size conversion factors set forth in Table 5 of the appendix. These increases were added to the permitted increases, top and bottom prices of the price ranges, and to the dollars-and-cents prices in Table 4 as established by Supplement 7. The increases in the gross maximum prices will not be reflected in increased prices for sales to purchasers other than government procurement agencies as the full amount of the increases will be covered by the subsidy. Maximum prices for sales to government procurement agencies will, however, reflect the increases.

The permitted increases, price ranges and dollars-and-cents prices for sub-standard grade of packed tomatoes formerly provided in Supplement 7 have been eliminated in the new appendix to bring it into conformity with the pricing appendices for other vegetables.

#### TOMATO JUICE

The accompanying supplement transfers the pricing method for canned tomato juice from Pricing Method No. 2, under which the commodity was priced under Supplement 7, to Pricing Method No. 1 under the new supplement. OPA said this was done to eliminate the extremely high and low prices which resulted under Pricing Method No. 2, afford a simpler method of pricing for processors who did not pack tomato juice in the base period, or who packed only a particular can size or grade of the product, and to improve compliance with the regulation.

In general, the same method was followed in pricing tomato juice as in pricing other products under Pricing Method No. 1 last year. However, a variation in the method of determining the permitted increases is used. The permitted increases for tomato juice were determined by computing the difference between the 1941 average prices (base prices) and the 1944 average prices.

Areas established for tomato juice follow the same general pattern as those for canned tomatoes with a few minor changes. Virginia, which in 1944, was in an area by itself, and West Virginia, which was in Area 3, are placed in the same price area as Maryland, Delaware and Southern Pennsylvania. Raw material costs, wage rate increases and base period price relationships are factors which were considered in setting up the pricing areas.



Since historical data were lacking on which to establish grade differentials, because the production of tomato juice in other than fancy grade is negligible, grade differentials were established based on recommendations of industry consultants. The differentials established are 10 cents per dozen between Fancy and Standard grades in No. 2 cans, 25 cents for 46-ounce cans, and 50 cents for No. 10 cans.

Conversion factors for metal containers are provided for the principal can sizes which can be used to pack tomato juice under the provisions of Conservation Order M-81 and the processor must figure his maximum price for any other can size which may be used under the change of container provisions of Section 2.2 of Food Products Regulation No. 1 which is made applicable to the supplement. Conversion factors also are provided for converting from metal containers to glass containers, and processors in such cases must figure this conversion in 1944 prices and not in base period prices.

The general level of prices for tomato juice figured under the accompanying supplement is approximately the same as the level which prevailed in 1944 when the commodity was priced under Pricing Method No. 2.

#### SPINACH

Under the new supplement, the major changes in the pricing provisions for canned spinach from those established for the 1944 pack under Supplement 7 are the setting up of New York State as a separate pricing area, the addition of Table 8 which sets forth the factors to be used by processors in making the adjustment for raw material purchased at a weighted average price lower than that reflected in the ceilings, and the addition of Table 9 setting forth the basic wage rate factors to be used by processors in figuring the labor adjustment.

A review of the data on which the spinach prices were constructed in 1944 indicates that the placing of New York State in Area 6 comprising "all other States or areas" operated in an inequitable manner against processors in that State. For this reason, New

York is placed in an area by itself designated as Area 6 and the former Area 6 is redesignated Area 7. The effect of this change increases the permitted increases from 30 cents to 39 cents for the No. 2 cans, from 36 cents to 51 cents for the No. 2½ cans and from \$1.18 to \$1.75 for the No. 10 cans. The bottom of the price range is increased 5 cents per dozen for the No. 2 cans while the upper limit of the price range for the No. 2 Fancy grade is reduced from \$1.81 to \$1.39.

#### ASPARAGUS

The principal changes in the pricing appendix for packed asparagus made by the new supplement are those in the permitted increases, price ranges, and dollars-and-cents prices for No. 10 cans for all styles of pack. Other changes of a clarifying nature are also made.

Under Supplement 7, the price ranges established for No. 2 and No. 10 cans of cut spears were based on 1941 price relationships. This resulted in prices for No. 10 cans which have a relationship of 4.86 in California and 4.74 in all other areas to the prices for the No. 2 cans. This method of pricing does not reflect the proper price relationship for the No. 10 cans because of the quality of the product now packed in that size for the Quartermaster Corps. The accompanying supplement establishes maximum prices for the No. 10 cans based on a cost relationship to the No. 2 cans. It was found that based on a cost relationship, maximum prices for No. 10 cans cut spears should be five times those for the No. 2 cans and the price ranges, dollars-and-cents prices and permitted increases were accordingly established on this basis. Therefore, the conversion factor tables in the new regulation have been changed to provide 5 as the conversion factor for use in converting a No. 2 to a No. 10 can cut spears.

The upward adjustment in permitted increases, price ranges and dollars-and-cents prices provided by the accompanying supplement for packed asparagus produced in Area 1 (Oregon and Washington), and Area 3 (Illinois,

Michigan, Minnesota, Iowa, Nebraska, Wisconsin, Ohio and Indiana) is to compensate for approved wage rate increases that were incurred by processors in those States in 1943 but which were not reflected in the 1944 price schedule. This adjustment for increased labor costs in this area amounts to a 10 cents per dozen increase in the price for No. 2 cans of whole spears and corresponding changes for other styles of pack and can sizes.

In the case of Area 3, the War Labor Board on June 4, 1943, granted a 10 cents per hour increase for cannery laborers in Illinois, Indiana, Minnesota and Wisconsin, retroactive to April 1, 1943. From a review of the situation in that area it has been ascertained that the wage rate increase was not made retroactive but was put into effect soon after processors were notified of the approval by the War Labor Board. This increase was, however, a cost increase for packing asparagus in 1944 that would have been recognized in establishing 1944 ceilings if its existence had been known at that time. It was found that the increase in this area amounted to a 22 per cent increase in labor costs and the 1943 weighted average labor cost for the companies included in the cost study was increased by this amount for fancy cut spears packed in No. 2 cans. All other can sizes and styles of pack were figured by conversions. This results in an increase in the permitted increases and price ranges of 9 cents per dozen for No. 2 cans cut spears and corresponding increases for other styles of pack and can sizes.

The table for figuring conversions from one style of pack to another style of pack which was provided by Table 6 in the asparagus appendix under Supplement 7 has been eliminated in this year's appendix for packed asparagus and processors are directed to figure this conversion by taking the difference between the specific dollars-and-cents prices named in Table 4 and either adding it to or subtracting it from the constructed base price as the situation requires.

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The supplement also contains the pricing provisions for Pricing Method No. 2. All of the vegetables (other than tomato juice) and most of the fruits and berries that were priced under this pricing method last year are

covered by the new supplement. The principal products that are not yet included are apple products, some other fruits and a few of the berries. These will be added to the supplement as soon as raw material prices are determined.

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The appendix directs the processor to figure a single base price for items which differ only in sieve size in those cases where but one price range is provided for such items. The purpose of this change is to remove any ambiguity that may have existed under Supplement 7, as some processors had figured but one weighted average price for items covered by the same price range, while other processors had figured separate base period prices for each sieve size. This change in the



supplement was made on recommendations from the industry.

The appendix re-defines the term "ungraded" as used in the pricing of canned peas. The purpose of the change is to bring the definition into line with recognized industry practice and to remove the ambiguity which existed in 1944, particularly with reference to the proper pricing of large seeded sweet peas.

The appendix adds a differential for Blair process peas packed in No. 2 cans. In 1944 a differential was provided for No. 303 cans only. There appears to be some question of whether there will be sufficient No. 303 cans made available for the packing of this kind of peas and a differential is accordingly provided for the No. 2 cans.

In Table 1, additional counties in Washington are added to Area 6 which formerly consisted of Skagit and Snohomish Counties only. This change is made in conformity with changes made in the Department of Agriculture's support price for peas in this area.

In Table 2 provision is made for figuring base period prices on a variety basis, with separate base periods being provided for Alaska peas and for all sweet peas. The reason for the change is that the harvesting season for Alaska peas is approximately three weeks earlier than that for sweet peas and the period of pack figured on this basis is in line with industry practice as to what is considered "the beginning of the pack."

The only changes made in the price ranges and dollars-and-cents prices is in the pricing of blends of more than two sieve sizes of sweet peas in Area 4 where the upper and lower limits of the price ranges are increased 3 cents per dozen for the No. 2 cans and 15 cents per dozen for No. 10 cans, with similar changes being made in the dollars-and-cents prices in Table 4. This is to correct an error in the 1944 prices. In pricing blends of sweet peas in areas other than Area 4, price ranges were established that were not less than 3 cents per dozen (basis No. 2's) higher than ungraded sweet peas in the same area.

The appendix also clarifies the pricing provisions relating to the pricing of blends of sieve sizes of peas.

#### CORN

The principal changes made in the pricing appendix for packed corn are the establishment of new price ranges and dollars-and-cents prices for Area 1 (comprising the New England States),

an increase of 5 cents per dozen in the differential between Standard and Extra Standard evergreen and narrow grain corn in all areas, and the establishment of the period for base period sales on a variety basis. Other changes of a clarifying nature are also made in the appendix.

In establishing maximum prices under Supplement 7, the price ranges for the various products priced under Pricing Method No. 1 were constructed from base period prices to which were added permitted increases.

Correcting a previous error in base-period-reporting from Area 1, the new base period prices for golden and white cream style corn are established at 9 cents per dozen No. 2 cans for Fancy, 7 cents for Extra Standard, and 6 cents for Standard higher than the original base prices.

The calculation of permitted increases for golden and white cream style corn in Area 1 were reviewed and as they are properly figured the same permitted increases as were provided in Supplement 7 were added to the revised base period prices to construct the new mid-points from which the price ranges were refigured on the basis of the new data. The base period prices were also recalculated for whole kernel corn. The permitted increases for whole kernel corn in Area 1 were also reviewed, as it was the opinion of the industry that they were out of line with the permitted increases provided for this style of pack in other areas. The correct permitted increases for whole kernel corn in this area was determined to be 33 cents, after profit adjustment, and this figure is used in establishing new price ranges for this style of pack.

For evergreen and narrow grain cream style corn, OPA establishes differentials of 10 cents for Fancy grade, 10 cents for Extra Standard and 5 cents for Standard. This results in a 5 cent increase in the price for Extra Standard grade in all areas.

The 1945 regulation establishes the period for base period sales of corn on a variety basis, with separate periods named for all golden corn, and all white corn. This change from the base period provided in Supplement 7 is made because the packing season for golden corn is different from the packing season for white corn and the industry recommended that separate base periods should accordingly be established.

#### TOMATOES

The principal change in the pricing appendix for canned tomatoes made by the accompanying supplement is the in-

creasing of the gross maximum prices 6 cents per dozen for No. 2 cans of all grades. Corresponding increases for No. 2½ and No. 10 cans were figured by use of the can size conversion factors set forth in Table 5 of the appendix. These increases were added to the permitted increases, top and bottom prices of the price ranges, and to the dollars-and-cents prices in Table 4 as established by Supplement 7. The increases in the gross maximum prices will not be reflected in increased prices for sales to purchasers other than government procurement agencies as the full amount of the increases will be covered by the subsidy. Maximum prices for sales to government procurement agencies will, however, reflect the increases.

The permitted increases, price ranges and dollars-and-cents prices for sub-standard grade of packed tomatoes formerly provided in Supplement 7 have been eliminated in the new appendix to bring it into conformity with the pricing appendices for other vegetables.

#### TOMATO JUICE

The accompanying supplement transfers the pricing method for canned tomato juice from Pricing Method No. 2, under which the commodity was priced under Supplement 7, to Pricing Method No. 1 under the new supplement. OPA said this was done to eliminate the extremely high and low prices which resulted under Pricing Method No. 2, afford a simpler method of pricing for processors who did not pack tomato juice in the base period, or who packed only a particular can size or grade of the product, and to improve compliance with the regulation.

In general, the same method was followed in pricing tomato juice as in pricing other products under Pricing Method No. 1 last year. However, a variation in the method of determining the permitted increases is used. The permitted increases for tomato juice were determined by computing the difference between the 1941 average prices (base prices) and the 1944 average prices.

Areas established for tomato juice follow the same general pattern as those for canned tomatoes with a few minor changes. Virginia, which in 1944, was in an area by itself, and West Virginia, which was in Area 3, are placed in the same price area as Maryland, Delaware and Southern Pennsylvania. Raw material costs, wage rate increases and base period price relationships are factors which were considered in setting up the pricing areas.

Since historical data were lacking on which to establish grade differentials, because the production of tomato juice in other than fancy grade is negligible, grade differentials were established based on recommendations of industry consultants. The differentials established are 10 cents per dozen between Fancy and Standard grades in No. 2 cans, 25 cents for 46-ounce cans, and 50 cents for No. 10 cans.

Conversion factors for metal containers are provided for the principal can sizes which can be used to pack tomato juice under the provisions of Conservation Order M-81 and the processor must figure his maximum price for any other can size which may be used under the change of container provisions of Section 2.2 of Food Products Regulation No. 1 which is made applicable to the supplement. Conversion factors also are provided for converting from metal containers to glass containers, and processors in such cases must figure this conversion in 1944 prices and not in base period prices.

The general level of prices for tomato juice figured under the accompanying supplement is approximately the same as the level which prevailed in 1944 when the commodity was priced under Pricing Method No. 2.

#### SPINACH

Under the new supplement, the major changes in the pricing provisions for canned spinach from those established for the 1944 pack under Supplement 7 are the setting up of New York State as a separate pricing area, the addition of Table 8 which sets forth the factors to be used by processors in making the adjustment for raw material purchased at a weighted average price lower than that reflected in the ceilings, and the addition of Table 9 setting forth the basic wage rate factors to be used by processors in figuring the labor adjustment.

A review of the data on which the spinach prices were constructed in 1944 indicates that the placing of New York State in Area 6 comprising "all other States or areas" operated in an inequitable manner against processors in that State. For this reason, New

York is placed in an area by itself designated as Area 6 and the former Area 6 is redesignated Area 7. The effect of this change increases the permitted increases from 30 cents to 39 cents for the No. 2 cans, from 36 cents to 51 cents for the No. 2½ cans and from \$1.18 to \$1.75 for the No. 10 cans. The bottom of the price range is increased 5 cents per dozen for the No. 2 cans while the upper limit of the price range for the No. 2 Fancy grade is reduced from \$1.81 to \$1.39.

#### ASPARAGUS

The principal changes in the pricing appendix for packed asparagus made by the new supplement are those in the permitted increases, price ranges, and dollars-and-cents prices for No. 10 cans for all styles of pack. Other changes of a clarifying nature are also made.

Under Supplement 7, the price ranges established for No. 2 and No. 10 cans of cut spears were based on 1941 price relationships. This resulted in prices for No. 10 cans which have a relationship of 4.86 in California and 4.74 in all other areas to the prices for the No. 2 cans. This method of pricing does not reflect the proper price relationship for the No. 10 cans because of the quality of the product now packed in that size for the Quartermaster Corps. The accompanying supplement establishes maximum prices for the No. 10 cans based on a cost relationship to the No. 2 cans. It was found that based on a cost relationship, maximum prices for No. 10 cans cut spears should be five times those for the No. 2 cans and the price ranges, dollars-and-cents prices and permitted increases were accordingly established on this basis. Therefore, the conversion factor tables in the new regulation have been changed to provide 5 as the conversion factor for use in converting a No. 2 to a No. 10 can cut spears.

The upward adjustment in permitted increases, price ranges and dollars-and-cents prices provided by the accompanying supplement for packed asparagus produced in Area 1 (Oregon and Washington), and Area 3 (Illinois,

Michigan, Minnesota, Iowa, Nebraska, Wisconsin, Ohio and Indiana) is to compensate for approved wage rate increases that were incurred by processors in those States in 1943 but which were not reflected in the 1944 price schedule. This adjustment for increased labor costs in this area amounts to a 10 cents per dozen increase in the price for No. 2 cans of whole spears and corresponding changes for other styles of pack and can sizes.

In the case of Area 3, the War Labor Board on June 4, 1943, granted a 10 cents per hour increase for cannery laborers in Illinois, Indiana, Minnesota and Wisconsin, retroactive to April 1, 1943. From a review of the situation in that area it has been ascertained that the wage rate increase was not made retroactive but was put into effect soon after processors were notified of the approval by the War Labor Board. This increase was, however, a cost increase for packing asparagus in 1944 that would have been recognized in establishing 1944 ceilings if its existence had been known at that time. It was found that the increase in this area amounted to a 22 per cent increase in labor costs and the 1943 weighted average labor cost for the companies included in the cost study was increased by this amount for fancy cut spears packed in No. 2 cans. All other can sizes and styles of pack were figured by conversions. This results in an increase in the permitted increases and price ranges of 9 cents per dozen for No. 2 cans cut spears and corresponding increases for other styles of pack and can sizes.

The table for figuring conversions from one style of pack to another style of pack which was provided by Table 6 in the asparagus appendix under Supplement 7 has been eliminated in this year's appendix for packed asparagus and processors are directed to figure this conversion by taking the difference between the specific dollars-and-cents prices named in Table 4 and either adding it to or subtracting it from the constructed base price as the situation requires.